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Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, D.C. 20554

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Federal Communications Commission  
Office of Secretary

In the Matter of

Billed Party Preference for  
InterLATA 0+ Calls

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CC Docket No. 92-77

To: The Commission

**FURTHER COMMENTS OF INTELICALL, INC.  
ON SPECIFIC QUESTIONS**

**INTELICALL, INC.**

**B. REID PRESSON, JR.**

**INTELICALL, INC.**

2155 Chenault, Suite 410  
Carrollton, TX - 75006

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## SUMMARY

The Commission has correctly recognized that due consideration must be given to the current and future capabilities of store-and-forward (S&F) technology to provide on-demand rate quotes before making final determination as to how, to what extent, and when the embedded base should comply with the Commission's proposed rate quote requirements. Over 150,000 pay telephones representing an investment of over \$150,000,000 use this technology on a daily basis to process over 3,000,000 call attempts each month. As previously noted in its comments and reemphasized herein, the S&F technology comprising the embedded base was not designed to provide on-demand rate quotes since no such requirement existed at the time and cannot be modified to do so. In its comments, Intellicall proposed several alternatives that, individually or in combination with the Commission's proposed<sup>2</sup> alternatives, would adequately address the Commission's consumer protection objectives.

Although Intellicall has recently introduced a new generation technology that could be modified at great expense and time to meet the requirements of the Commission's proposal and could be used to upgrade the installed base once developed and fully tested, it is questionable whether IPPs would upgrade simply to meet the Commission's rate quote proposal but rather would make such a significant financial decision based on other operational characteristics, features and functionalities available through the new generation technology. Thus, it is likely that, once available with expanded rate quote capabilities, the embedded base would be upgraded at no faster than normal rates based on the economics of the decision and the financial status of the IPP.

Intellicall urges the Commission to take note of the following:

- To Intellicall's knowledge, there is no existing store-and-forward technology that can provide on-demand exact rate disclosure.
- The existing embedded base of store-and-forward payphones is incapable of being upgraded to provide on-demand exact rate disclosure.
- The only feasible way to make the embedded base of store-and-forward payphones compliant is to literally reconstruct each and every payphone, *i.e.*, replace every component, except the phone housing.
- Should the Commission adopt its proposal, it should grandfather existing store-and-forward payphones that are technically incapable of complying with the regulations.

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<sup>1</sup> See Comments of The Intellicall Companies, at 8-12.

<sup>2</sup> *Id.* at 13-16.

- Intellicall's costs will not decline over time.
- The Commission should request further comments on key issues in light of the Commission's decisions in the payphone compensation proceeding.

<sup>2</sup> *In the Matter of Implementation of Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, Order on Reconsideration, CC Docket No. 96-128 (rel. Nov. 8, 1996).

grandfather the existing embedded base of store-and-forward payphones which is incapable of providing exact rate disclosure on demand.

## **I. INTRODUCTION AND BACKGROUND**

Intellicall, Inc. is the leading provider of pay telephones utilizing so-called "store-and-forward" technology that enables Independent Payphone Providers ("IPPs") to provide consumers with "0+" services directly from the pay telephone itself without routing such calls to a remotely located Operator Service Provider ("OSP") for processing and completion. Intellicall introduced this technology in 1989. Since its introduction, this technology has been installed in over 150,000 pay telephones throughout the United States that process over 3,000,000 calls monthly. Intellicall is thus uniquely qualified to authoritatively comment on the additional issues raised by the Commission in its request for further comment.

IPPs who utilize store-and-forward technology would be subject to any requirement the Commission may ultimately adopt which requires OSPs whose rates for "0+" calls exceed Commission-established benchmark rates to automatically provide the billed party with a disclosure of the actual rate to be charged for such calls.

In its response to the Commission's Second NPRM in this proceeding, the Intellicall Companies demonstrated that the proposed mandatory exact rate disclosure on all "0+" calls was incompatible with the technology used in the embedded base of store-and-forward pay telephones and proposed several alternatives that individually or in combination with the Commission's proposed alternatives would adequately address the Commission's consumer protection objectives.

## II. RESPONSE

### A. Question 2

What kinds of technologies (including payphone equipment and associated software) are currently available to provide on-demand call rating information for calls from payphones, other aggregator locations, and phones in correctional institutions that are provided for use by inmates? Commenters should discuss the anticipated declining cost of these technologies, assuming a wide-spread demand for these services.

#### Answer

Intellicall is unaware of any existing store-and-forward payphone technology that is currently capable of automatically providing on-demand exact rate call rating information to consumers for "0+" calls under the conditions proposed by the Commission.

Further, Intellicall is unaware of any existing payphone technology that could be upgraded to do so. It would require totally new electronics or, in other words, replacement of virtually everything but the phone housing, to achieve the Commission's desired result. As pointed out conclusively in its comments,<sup>3</sup> adding such capabilities would not simply be a matter of installing new software or adding a hardware upgrade or memory expansion module. Rather, it would require a totally new generation of payphone technology with such call rating features seamlessly integrated into system design and architecture. As a comparison, a computer with a 286 or 386 processor cannot be upgraded to provide Pentium operability by simply plugging in a Pentium processor -- a totally new design is required.

There is no comparison between doing real-time rating on a coin call and real-time rating on a "0+" call for current generations of payphones which were designed to be able to handle one set of rates. Intelligent pay telephones, such as those manufactured by Intellicall, are designed to

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<sup>3</sup>

See Comments of The Intellicall Companies, at 8-12.

provide real-time rating capabilities for coin calls for the very obvious reason to inform users as to initial coin deposit requirements and overtime deposits required for call continuation. Such rates are computed from "look-up" tables that permit calls to be properly rated based on any destination number dialed. These tables take the form of twelve (12) exchange tables (which store an index to a "rate band" for each of one thousand (1,000) possible exchanges within an Area Code) and Area Code tables (which store an index to a "rate band" for all remaining Area Codes). Rate band tables store the actual rates for each index, including differentials for distance and time-of-day and to provide unique rates for intraLATA, interLATA and interstate calls. Each set of "look-up" tables (and resultant applicable rates) is unique for any phone operating in a specific rate center and obviously must be changed if the phone is relocated in a different rate center. Fully twenty-five percent (25%) of all available payphone memory capacity is devoted to storing these "look-up" tables applicable only to coin rating.

Since coin rates cannot be used to accurately rate "0+" calls, an entirely new set of comprehensive "look-up" tables would be required to rate "0+" intraLATA, interLATA and interstate calling card and collect calls with any degree of specificity on a real-time basis (even if only to provide rate quotes prior to initiation of a call) and would require the addition of at least the same memory capacity currently used for coin rating, notwithstanding the additional memory that would be required for operating software necessary to use the data for rate quotes. Adding memory to a payphone whose architecture was not originally designed for memory expansion is not a simple matter. There are no open card slots in a backplane in which to insert new memory boards, as is the case with personal computers.

Finally, Intellicall is unaware of any existing or potential wide-spread demand for such technology that in and of itself would justify the significant investment that a new generation



payphone design would entail. Any demand that might exist or be created for such technology would be artificial since its only purpose would be to satisfy regulatory requirements. Intellicall notes that it does not anticipate that its costs will "decline" over time, as the Commission appears to suggest in Question No. 2. The Commission's rate disclosure requirements would require substantial investments now (which would otherwise be totally unnecessary), and the costs will likely remain relatively constant (if not increase) over time until the embedded base of equipment is finally retired. For example, the rating tables will have to be maintained and updated as long as the rate disclosure regulations remain in effect. Similarly, all necessary software will have to be kept up-to-date, tested, debugged, and downloaded, until the Commission repeals the regulations.

In its initial comments, Intellicall provided a detailed discussion of its technology that implements the embedded base and the limitations that prevent providing exact rate quotes for every possible "0+" call a consumer might place. Intellicall takes this opportunity to point out that what the Commission has proposed actually goes far beyond the requirement to accurately quote rates in real time. Under the Commission's scheme, the pay telephone would not only be required to have the ability to accurately rate each "0+" call, but also to (1) determine the comparable rates using the benchmark rates; (2) compare the two sets of rates; and (3) automatically quote the rates if the IPP's rates exceed the benchmark in one or more respects.

To illustrate the magnitude of the problem, Intellicall points out that, in addition to the local intraLATA, interLATA, and interstate coin rates, the pay telephone would be required to store:

- (a) the IPP's interstate rates for initial and additional periods for each of 11 mileage bands for day, evening, night periods and holidays for calls billed to LEC calling cards (33 different rates)

- (b) the IPP's interstate rates for initial and additional periods for each of 11 mileage bands for day, evening, night periods and holidays for calls billed collect (33 different rates)
- (c) the FCC's benchmark rates corresponding to items (a) and (b) above (66 different rates)
- (d) the IPP's intrastate (interLATA and interLATA) rates for initial and additional periods for up to 11 mileage bands for day, evening, night periods and holidays for calls billed to LEC calling cards and billed collect (132 different rates).

In addition to the massive amount of memory capacity to store all these different rates, the complexity of the comparison and decision-making software will increase geometrically, if not algebraically, since it must allow for every eventuality in tariff structure that the universe of IPPs may devise. Additionally, the IPP must keep all these rates current. This is a monumental task for the IPP regardless of whether it has 500, 5,000 or 50,000 pay telephones since changes must be downloaded to each pay telephone by modem.

IPPs who have purchased and use the technology to provide "0+" services are thus left with four options:

- (a) Establishing a rate structure for "0+" calls below the benchmark rate structure to avoid making rate announcements irrespective of the cost of providing service; obviously, none of these options make good public policy sense.
- (b) If the benchmark rates and the "zone of reasonableness" ultimately adopted by the Commission are insufficient to cover the cost of providing service, making a rate quote announcement on every call pursuant to one of the options outlined in Intellicall's prior comments, and suffering the degradation of service, and risking the probability that the dominant IXCs will institute a campaign which says "hang up if you hear a rate quote."
- (c) Turning off the technology leaving a significant stranded investment by the IPP and significant loss of billing and collection revenues by Intellicall.
- (d) Replacing the pay telephone electronics at significant expense with a new generation design with appropriate rate quoting capabilities (see answer to Question 5 below), which Intellicall believes could take up to twelve (12)

months to design and implement, but which would not be economic for the IPP if its only purpose in buying the technology was to achieve the capability to do "exact call" rate quotes.

**B. Question 5**

If some or all of embedded base equipment and software are incapable of providing audible notice to consumers for on-demand call rating, what time period would be reasonable for substituting equipment and software that is capable of doing so?

**Answer**

As previously discussed, over 150,000 pay telephones are equipped with Intellicall's store-and-forward technology processing over 3,000,000 calls monthly that cannot provide on-demand rate quoting capabilities as proposed by the Commission. Further, it is impossible to add such capabilities with a software/hardware upgrade. However, following a one-year development cycle, Intellicall recently introduced a new generation pay telephone, the AstraTel-2, a line-powered pay telephone which incorporates many new features and functionalities as well as more powerful microprocessors, memory expansion options and other advancements. The AstraTel-2 is designed to be sold in a housing as a stand-alone pay telephone or in kit form to replace older generation pay telephone electronics. Although not currently designed to store "0+" rates, make rate comparisons and provide audible rate quotes for "0+" calls, such capabilities could be added at considerable expense to Intellicall with a development cycle of up to 14 months. This does not mean that it would be reasonable to require the embedded base of payphones to be changed out over a similar period, or at all. Intellicall believes the embedded base of payphones should be grandfathered, required if at all, only to make the broad more generic rate disclosures which the payphones could perform with less disruption than changing out otherwise perfectly satisfactory equipment with a substantial remaining useful life.

C. Question 7

What effects, if any, will the recent Report and Order in *In the Matter of Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, Policies and Rules Concerning Operator Service Access and Pay Telephone Compensation*, CC Docket no. 96-128, FCC 96-388 (released September 20, 1996) have on this proceeding?

Answer

The Commission's recent decisions in the *Pay Telephone Reclassification* proceeding<sup>4</sup> compel the Commission to seek further comments on several key issues.

First, one of the underlying premises of the Commission's proposed rate benchmarks/rate disclosures is that the payphone industry is not sufficiently competitive, and thus callers from payphones have no reasonable choice of payphone providers. The thrust of the argument is that payphone callers are, in a manner of speaking, a captive audience with no opportunity to seek out other alternatives.

This premise is directly controverted by the Commission in its *Order on Reconsideration* in the *Pay Telephone Reclassification* proceeding:

Because payphone callers in most cases are free to seek out alternative payphones in nearly all locations or able to make calls from portable phones, we reject arguments by some petitioners that all payphones will become individual unregulated monopolies with monopoly-level pricing.

Thus, the Commission's underlying premise in this proceeding is directly at odds with the fundamental principle enunciated in the Commission's *Pay Telephone Reclassification* decisions. Moreover, if the payphone industry is to some extent competitive, and consumers have a choice to seek out alternatives, as the Commission has found in the *Pay Telephone Reclassification*

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<sup>4</sup> See *Report and Order* (rel. Sept. 20, 1996); *Order on Reconsideration* (rel. Nov. 8, 1996).

<sup>5</sup> *Order on Reconsideration*, at 27, ¶ 50.

proceeding, then, there does not appear to be any need for additional levels of "consumer protection," since the market will ultimately correct any perceived deficiencies.

Finally, the Commission should seek further comments on the effect of the recently adopted payphone compensation mechanisms on OSP rates. In light of the fact that IPPs are now entitled to compensation for heretofore uncompensated calls (*e.g.*, subscriber 800 and 800 access code calls) originated at their payphones, the Commission should determine the extent to which this will reduce IPP reliance on revenues from OSP commission payments which have the effect of increasing OSP rates in the first instance. More specifically, now that IPPs are entitled to per-call compensation for all calls originated at their payphones, "0+" calls may no longer "subsidize" previously uncompensated calls and, hence, reduce the pressure for higher OSP rates and higher commissions from OSPs on payphone-originated calls.

### **III. CONCLUSION**

Intellicall continues to support the Commission's objective in achieving reasonable rates for consumers who place "0+" calls. However, the methods employed to reach this objective should not be based solely on an unsubstantiated perception of what consumers believe to be reasonable but must take into account a provider's cost of providing service as well as the capabilities and limitations of the embedded base of pay telephones which has been installed by IPPs over the past 10 years. Intellicall urges the Commission to adopt a benchmark rate structure and rate disclosure requirements that are reasonable for consumers and providers alike, that encourage efficient providers to price their services within the "zone of reasonableness" and so avoid the necessity to inconvenience consumers by delaying completion of calls for the purpose of providing rate quotes. Should the Commission adopt Intellicall's and/or the Commission's proposed alternatives to on-demand rate disclosures, Intellicall further urges the

Commission to establish a grace period of at least 6 months during which it can develop and implement software necessary to provide alternate rate disclosure capabilities as previously described in its comments and reply comments.<sup>6</sup>

Historically, only sent-paid calls have been rated in real-time and on a call-by-call basis for calls placed from pay telephones so callers could initiate and continue such calls by depositing the proper coinage for initial and follow-on periods. Conversely, "0+" calls have and continue to be rated by OSPs "after-the-fact" on a monthly basis for inclusion in monthly bills issued by local exchange carriers. Since no requirement existed for on-demand rate quotes at the time Intellicall's technology was developed (1988-1989), no provision was made in the design to do so nor to incorporate the massive amount of memory capacity that would have been required to store the data and the operating program necessary to accurately quote a rate for every possible intraLATA, interLATA intrastate and interstate call for every mileage band in every time period for both calling card and collect calls.

Should the Commission adopt its proposed rate benchmarks and rate disclosure requirements, Intellicall respectfully submits that the Commission should appropriately grandfather the embedded base of store-and-forward payphones that is technically incapable of complying with the Commission's requirements.

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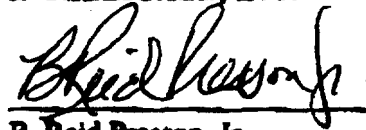
*See Comments of The Intellicall Companies, at 13-16; Joint Reply Comments of The Intellicall Companies and Network Operator Services, Inc., at 20-22.*

Finally, the Commission's recent decisions in the *Pay Telephone Reclassification* proceeding compel the Commission to seek further comments on several key issues described above.

Respectfully submitted,

INTELLICALL, INC.

By:



B. Reid Presson, Jr.

Intellicall, Inc.  
2155 Chenault, Suite 410  
Carrollton, Texas 75006

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